

Message Text

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ORIGIN NEA-12

INFO OCT-01 ADP-00 INR-10 SS-15 EB-11 EUR-25 RSC-01 L-03

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6/20/73 EXT 23003

APPROVED BY NEA: ALATHERTON, JR.

NEA/ EGY: GNANDERSON

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R 202236 Z JUN 73

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TO USINT CAIRO

C O N F I D E N T I A L STATE 120695

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E. O. 11652: GDS

TAGS: BEXP, EG

SUBJ: SUMED

1. PARKER HART OF BECHTEL CALLED DEP ASST SECY ATHERTON JUN 19 TO GIVE HIM CONFIDENTIAL UPDATING OF POSSIBILITY FOR BECHTEL INVOLVEMENT IN SUMED DEAL. BECHTEL'S BEIRUT REPRESENTATIVE HAD MET WITH QARRUSH JUN 17 AT LATTER'S INVITATION. QARRUSH TOLD BECHTEL REP THAT NEGOTIATIONS BETWEEN SUMED AND EUROPEAN CONSORTIUM HAD BROKEN DOWN AND THAT GOE FELT NO FURTHER OBLIGATION TO EUROPEAN CONSORTIUM. WHAT GOE NOW SOUGHT WAS FIRM OFFER FROM BECHTEL AND KIDDER PEABODY. GOE BELIEVED THROUGH- PUT COMMITMENTS FOR SUMED REMAINED VALID DESPITE PHASE- OUT OF EUROPEAN CONSORTIUM. BEIRUT REP HAD CABLED BECHTEL HEADQUARTERS SAYING " INDICATIONS ARE" THAT BECHTEL INVOLVEMENT WOULD BE EXCLUSIVE ARRANGEMENT.

2. HART SAID THAT INCLINATION IN BECHTEL HEADQUARTERS WAS TO GO AHEAD WITH PROPOSAL TO GOE. PROPOSAL WOULD BE MADE CONFIDENTIAL

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IN ABOUT ONE MONTH AND WOULD BE AN ALL- US EFFORT WITH NO PROCUREMENT BEING MADE IN EUROPE. OBVIOUS ADVANTAGES OF SUCH PROCEEDINGS WOULD BE (A) TO US BALANCE OF PAYMENTS AND (B) RECENT DOLLAR DEVALUATION GIVES US SUPPLIERS ADVANTAGE OVER EUROPEAN COMPETITORS. BECHTEL SAW SUMED PARTICIPATION AS TURNKEY OPERATION WITH BECHTEL OVERSEEING DESIGN, ENGINEERING, CONSTRUCTION, MANAGEMENT AND SUPER-

VISION OF SUBCONTRACTORS. HART SAID NUB OF PROBLEM BECHTEL FACES WAS TO REDUCE DISCREPANCY OF FIFTY MILLION DOLLARS AS BETWEEN COSTS ESTIMATED BY GOE AND EUROPEAN CONSORTIUM. HE WAS CONFIDENT THAT BECHTEL EQUAL TO PROBLEM AND ASKED ATHERTON WHAT REACTION OF USG TO BECHTEL ROLE IN SUMED WOULD BE. ATHERTON SAID HE WOULD BE BACK IN TOUCH WITH HART AT LATER DATE.

3. ATHERTON SPOKE WITH HART AGAIN JUNE 20. HE SAID HE HAD SPOKEN WITH ASST SECY SISCO AND WAS AUTHORIZED TO STATE THAT USG VIEW WAS AS FOLLOWS:

- (1) BASICALLY WHETHER BECHTEL CHOSE TO PARTICIPATE IN SUMED WAS A BUSINESS DECISION WHICH SHOULD BE ARRIVED AT ON BASIS OF BECHTEL JUDGMENTS OF COMMERCIAL CONSIDERATIONS.
- (2) FROM USG POLICY VIEWPOINT OUR REACTION TO BECHTEL INVOLVEMENT IN SUMED WAS THAT THIS WOULD BE POSITIVE STEP.

4. HART THEN ASKED IF DEPT WOULD BE WILLING TO WEIGH IN WITH EXIM IN ATTEMPT CONVINCE EXIM TO PARTICIPATE IN FINANCING OF SUMED. ATHERTON SAID THAT WE WOULD BE WILLING TO PUT TWO POINTS ABOVE TO EXIM BUT BEYOND THAT WOULD DESIRE TO RESERVE OUR FREEDOM OF ACTION FOR THE PRESENT. HART EXPRESSED HIS APPRECIATION AND AGREED WITH ATHERTON THAT TO DATE EXIM HAD BEEN BEARISH ON LENDING TO EGYPT. HART NOTED THAT WAR RISK INSURANCE WOULD BE ONE OF A NUMBER OF TOPICS BECHTEL WOULD WISH TO DISCUSS WITH EXIM. HE SAID THAT KIDDER PEABODY WAS ENTHUSIASTIC ON THE POSSIBILITY FOR OBTAINING THE NECESSARY FINANCING AND WOULD BE TALKING TO FNCB IN NEAR FUTURE. HE NOTED THAT BECHTEL BEIRUT REP BELIEVES KIDDER PEABODY WOULD BE PREPARED TO ATTEMPT ASSEMBLE FINANCING PACKAGE EVEN WITHOUT EXIM PARTICIPATION. HE SAID THAT KIDDER PEABODY INTENDED TO PUT TOGETHER THE FINANCING WHETHER OR NOT BECHTEL ENTERED THE DEAL. ROGERS
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*** Current Handling Restrictions *** STADIS

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 20 JUN 1973
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE120695
Document Source: CORE
Document Unique ID: 00
Drafter: SSHANLEY: DD
Enclosure: n/a
Executive Order: GS
Errors: n/a
Film Number: n/a
From: SECSTATE WASHDC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730624/aaaajice.tel
Line Count: 113
Locator: TEXT ON-LINE
Office: ORIGIN NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 11 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11-Dec-2001 by kelleyw0>; APPROVED <04-Jan-2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 980217
Subject: SUMED
TAGS: BEXP, EG
To: CAIRO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005